DOCUMENT RESUME

ED 049 526 EA 003 388

AUTHOR	Button, Charles T.; Fay, John E.
TITLE	The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds. Finance Pamphlet 2.
INSTITUTION	New York State Education Dept., Albany. Div. of Educational Management Services.
PUB DATE	70
NOTE	50p.; Revised 1970
EDRS PRICE	EDRS Price MF-$0.65 HC-$3.29
DESCRIPTORS	Accounting, *Board of Education Policy, *Financial Policy, *Guidelines, *School Funds
IDENTIFIERS	*Extraclassroom Activity Fund, New York State

ABSTRACT

The material presented in this pamphlet is a guide to the boards of education and the schools of New York State in setting up accounting procedures that conform to the regulations of the New York State Commissioner of Education for the control of extraclassroom activity funds. These funds are defined in those regulations as "funds raised other than by taxation or through charges of a board of education, for, by or in the name of a school, student body or any subdivision thereof..." The regulations were formulated not only to safeguard school funds and to protect those responsible for their handling, but also to enable schools to teach pupils good business procedures through participation in handling such funds. (Author/JF)

ED049526

THE SAFEGUARDING, ACCOUNTING, AND AUDITING OF EXTRACLASSROOM ACTIVITY FUNDS

FINANCE PAMPHLET 2

REVISED 1970

EA 003 388

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL OFFICE OF EDUCATION POSITION OR POLICY.

The University of the State of New York
THE STATE EDUCATION DEPARTMENT
Division of Educational Management Services
Albany, New York 12224

THE UNIVERSITY OF THE STATE OF NEW YORK

Regents of the University (with years when terms expire)

1984 Joseph W. McGovern, A.B., LL.B., L.H.D., LL.D., D.C.L.,
Chancellor ---------- New York

1985 Everett J. Penny, B.C.S., D.C.S.,
Vice Chancellor---------- White Plains

1978 Alexander J. Allan, Jr., LL.D., Litt.D. ---------- Troy

1973 Charles W. Millard, Jr., A.B., LL.D., L.H.D. --------- Buffalo

1972 Carl H. Pforzheimer, Jr., A.B., M.B.A., D.C.S., H.H.D. Purchase

1975 Edward M. M. Warburg, B.S., L.H.D. ---------- New York

1977 Joseph T. King, LL.B. ---------- Queens

1974 Joseph C. Indelicato, M.D. ---------- Brooklyn

1976 Mrs. Helen B. Power, A.B., Litt.D., L.H.D. ---------- Rochester

1979 Francis W. McGinley, B.S., LL.B., LL.D. ---------- Glens Falls

1980 Max J. Rubin, LL.B., L.H.D. ---------- New York

1971 Kenneth B. Clark, A.B., M.S., Ph.D., Litt.D. -------- Hastings on Hudson

1982 Stephen K. Bailey, A.B., B.A., M.A., Ph.D., LL.D. --- Syracuse

1983 Harold E. Newcomb, B.A. ---------- Owego

1981 Theodore M. Black, A.B. ---------- Sands Point

President of the University and Commissioner of Education
Ewald B. Nyquist

Executive Deputy Commissioner of Education
Gordon M. Ambach

Associate Commissioner for Educational Finance and Management Services
Stanley L. Raub

Assistant Commissioner for Educational Finance and Management Services
John W. Polley

Director, Division of Educational Management Services
A. Buell Arnold

Chief, Bureau of General Educational Management Services
Robert E. Wilson

FOREWORD

The material presented in this pamphlet is offered as a guide to boards of education and schools of the State in setting up accounting procedures that conform to the Regulations of the Commissioner of Education for the control of extraclassroom activity funds.

The Regulations of the Commissioner of Education were formulated not only to safeguard the funds of the school and to protect those responsible for the handling of the funds but also to provide schools with the opportunity to teach pupils good business procedures through participation in handling such funds.

This pamphlet presents a description of a procedure for the management and accounting of extraclassroom activity funds. The plan meets the requirements of the regulations and has the approval of the State Education Department. The use of this plan is not mandatory, provided schools adopt adequate alternate plans of their own.

This pamphlet was prepared by Charles T. Button, Associate, and John E. Fay, Assistant, Division of Educational Management Services, which has general supervision over school business management activities of school districts. All inquiries should be addressed to the Division of Educational Management Services, State Education Department.

Stanley L. Raub

Stanley L. Raub
Associate Commissioner for Educational
Finance and Management Services

TABLE OF CONTENTS

FOREWORD		iii
REGULATIONS OF THE COMMISSIONER OF EDUCATION		1
CHAPTER I, RULES, GUIDING PRINCIPLES, SUGGESTED FORMAT		3
CHAPTER II, BASIC PRINCIPLES AND CERTAIN PROCEDURES		11
CHAPTER III, A SUGGESTED PLAN		25
ACCOUNTING RECORDS AND THEIR USE		35
Form 1	Register of Receipts	36
Form 2	Register of Disbursements	36
Form 3	Receipt and Expenditure Ledger	37
Form 4	Activity Treasurer's Ledger	39
Form 5	Deposit Receipt	41
Form 6	Statement of Admissions	42
Form 7	Central Treasurer's Receipt	43
Form 8	Activity Treasurer's Receipt	44
Form 9	Purchase Order	45
Form 10	Payment Order	46
Form 11	Voucher Check	47
Form 12	Interorganization Transfer	48
Form 13	Report on Extraclassroom Activity Account	49
Form 14	Central Treasurer's Report	50

REGULATIONS OF THE COMMISSIONER OF EDUCATION ON FINANCIAL ACCOUNTING OF EXTRACLASSROOM ACTIVITY FUNDS IN UNION FREE SCHOOL DISTRICTS[1] AND CITIES HAVING A POPULATION OF LESS THAN ONE MILLION

"Section 172.1 (Activity funds.) Funds raised other than by taxation or through charges of a board of education, for, by or in the name of a school, student body or any subdivision thereof, shall be known as extraclassroom activity funds.

"Section 172.2 (Regulation of activities and moneys.) The board of education of each union free school district and city school district having a population of less than one million shall make rules and regulations for the conduct, operation and maintenance of extraclassroom activities and for the safeguarding, accounting and audit of all moneys received and derived therefrom.

"Section 172.3 (Subject matter of rules.) Such rules and regulations shall require at least the following procedures and devices:

a. Records of receipts and expenditures shall be maintained and reports made regularly to the board of education.

b. The authority to expend moneys shall be distinct and separate from the custody of these moneys.

c. An independent and impartial audit of the accounts shall be made at least annually.

"Section 172.4 (Deposit of funds.) The board of education may direct that the moneys received or derived from the conduct, operation or maintenance of any extraclassroom activity be deposited with an official designated by the board of education, who in such event shall be the treasurer of such extraclassroom activity, the moneys of which are required to be so deposited.

"Section 172.5 (Assignment of board officers or employees.) The board of education shall also have power to assign any of its officers or employees to perform such duties as it may prescribe in connection with any extraclassroom activity, and to designate such of its officers and employees, when so assigned, from whom a bond may be required for faithful performance of their duties, and to fix the sum in which each bond shall be given."

---

[1] Includes union free schools, central schools, and village superintendencies.

CHAPTER I

RULES, GUIDING PRINCIPLES, SUGGESTED FORMAT

1. Rules and Regulations of Boards of Education for the Operation of Extraclassroom Activities

Extraclassroom activity funds are defined in the Regulations of the Commissioner of Education as "funds raised other than by taxation or through charges of a board of education, for, by or in the name of a school, student body or any subdivision thereof." Basically, extraclassroom activity funds are those operated by and for the students. Moneys are usually collected voluntarily by pupils and are spent by them as they see fit so long as they abide by established regulations.

Extraclassroom activity funds must not be confused with funds accounted for in accordance with the Uniform System of Accounts prescribed by the State Comptroller. Procedures discussed in this manual apply only to extraclassroom activity funds.

The Regulations of the Commissioner of Education prescribe that the board of education of each union free school district[2] and city school district having a population of less than one million shall make rules and regulations for (1) the conduct, operation, and maintenance of extraclassroom activities and (2) for the safeguarding, accounting, and auditing of all moneys received and derived therefrom.

---

[2]Includes union free school, central schools, and village superintendencies.

The following guiding principles are listed to assist boards of education in establishing these required rules and regulations:

A. CONDUCT, OPERATION, AND MAINTENANCE OF EXTRACLASSROOM ACTIVITIES

1) Determine acceptable purposes for which students may form extraclassroom activities.

2) Establish procedures for organizing extraclassroom activities.

3) Determine how faculty sponsors of extraclassroom activities should be chosen.

4) Determine how student officers of extraclassroom activities should be chosen.

5) Publish, annually, a list of approved extraclassroom activities.

B. SAFEGUARDING, ACCOUNTING, AND AUDITING OF EXTRACLASSROOM ACTIVITY FUNDS

1) Establish proper and adequate methods for receiving and expending extraclassroom activity funds.

2) Provide for proper and adequate records of all receipts and expenditures.

3) Establish procedures and times for regular financial reports to the board of education.

4) Keep separate and distinct the authority to expend money from the custody of the funds.

5) Indicate the bank to be used as the depository of all extraclassroom activity funds.

6) Establish bank accounts for the deposit of all extraclassroom activity funds of a school district under the stewardship of an adult treasurer.

7) Provide for an independent audit of accounts at least once annually.

8) Provide for the disposal of funds of discontinued extraclassroom activities and of graduating classes.

9) Provide for the investment of extraclassroom activity funds and establish the authority to use the earnings.

2. Sample Format

In order to give boards of education an idea of the possible scope and content of rules and regulations for extraclassroom activities and extraclassroom activity funds,a suggested set of these regulations is included below. It is hoped that these suggestions will be used as a starting point by boards of education in framing their own rules and regulations.

SUGGESTED RULES AND REGULATIONS OF A BOARD OF EDUCATION FOR THE CONDUCT, OPERATION AND MAINTENANCE OF EXTRACLASSROOM ACTIVITIES AND FOR THE SAFEGUARDING, ACCOUNTING,AND AUDITING OF EXTRACLASSROOM ACTIVITY FUNDS

Preamble

The board of education recognizes that the fundamental task of the schools is to prepare young people for life. In order for this preparation to be done properly, the educational program of the schools must be as wide as life itself. An integral part of such a program is extraclassroom activities. They represent an essential part of the educational experiences which should be available to young people. In order to promote the organization and maintenance of extraclassroom activities and to provide for the proper handling and safeguarding of extraclassroom activity funds, the board of education hereby adopts the following rules and regulations for the guidance of students, teachers, and principals.

Part I--Rules and Regulations for the Conduct, Operation,and Maintenance of Extraclassroom Activities

1. Purpose

Student extraclassroom activities may only be formed for educational and school service purposes.

2. Organizational Procedures

Students desiring to form an extraclassroom activity shall petition their principal in writing. The petition shall state the purpose of and describe the activities of the proposed extraclassroom activity, and shall be signed by at least seven students before it is presented to the principal for action. If the purpose of the proposed extraclassroom activity falls within the scope of educational or school service purposes and if the necessary space and equipment are available, the principal, in conjunction with the petitioning students, shall seek a suitable adviser. When these procedures have been accomplished, the building principal shall recommend to the chief school officer that the extraclassroom activity be approved by the board of education.

3. Approved Extraclassroom Activities

All extraclassroom activities shall be approved by the board of education. The chief school officer shall maintain an up-to-date register of all extraclassroom activities that are approved or discontinued.

4. Faculty Adviser

Each extraclassroom activity shall have a faculty adviser appointed by the chief faculty counselor (building principal). The faculty adviser shall attend all meetings of the extraclassroom activity.

5. Meetings

All extraclassroom activities shall meet at least once monthly while school is in session. These meetings shall be held on school property. Extraclassroom activities shall not meet outside school property unless they have received the consent of their school principal.

6. Officers

Each extraclassroom activity shall have a president, vice president, secretary, and treasurer. These officers shall be elected annually from among the membership by secret ballot.

7. Constitution

Each extraclassroom activity shall adopt a constitution which shall define the purposes of the organization, duties of its officers, membership prerequisites, rules of procedure, and such other matters as are deemed necessary. This constitution shall incorporate any rules and regulations of the board of education which are applicable; and if the school has a general student organization, any rules of the latter which are applicable. The constitution of each extraclassroom activity shall be approved by the faculty adviser and the building principal, and a copy of the constitution shall be on file in the building principal's office.

Part II--Rules and Regulations for the Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds

1. Definition

Extraclassroom activity funds are funds raised other than by taxation or through charges of a board of education, for, by or in the name of a school, student body, or any subdivision thereof.

2. Financial Procedures

All extraclassroom activity funds shall be handled in accordance with the financial procedures illustrated by Finance Pamphlet 2, The Safeguarding, Accounting,and Auditing of Extraclassroom Activity Funds, published by the New York State Education Department.

or

2. Financial Procedures

All extraclassroom activity funds shall be handled in accordance with the following procedures for the safeguarding, accounting,and auditing of these funds:

(If a board of education does not wish to follow recommendations in Financial Pamphlet 2, it may prescribe its own procedures for handling extraclassroom activity funds. If such is the case, the board of education should write out in detail its own financial plan and insert it here. If the board should desire, the Division of Educational Management Services, State Education Department, will gladly review a board of education's own financial plan in order to assure the board of education that all necessary financial safeguards have been included in its financial plan.)

3. Leftover Funds

Leftover funds of discontinued extraclassroom activities and of graduating classes shall automatically revert to the account of the general student organization or student council and shall be expended in accordance with that organization's constitution. (Schools that do

not have a general student organization may have a general student utility fund or a scholarship or prize fund to which these leftover funds may be transferred.)

CHAPTER II

BASIC PRINCIPLES AND CERTAIN PROCEDURES INHERENT IN ANY ADEQUATE ACCOUNTING PLAN FOR EXTRACLASSROOM ACTIVITY FUNDS

There are certain principles and procedures that should be followed in establishing an adequate accounting system for extraclassroom activity funds. The following basic devices are essential to the proper management of such funds:

1. Basic Principles

   A. Two separate and independent sets of records of receipts and expenditures shall be maintained.

   B. The authority to expend moneys shall be distinct and separate from the custody of these moneys.

   C. At least two individuals shall take part in each act of disbursing money.

   D. The custodian of funds and the accounting officer or auditor shall both report to the board of education or its designated representative regularly and independently at monthly intervals.

   E. All accounts shall be audited at least annually.

   F. Procedures shall be established which will insure a prompt and careful examination and check of each receipt and each payment.

   G. The accounting system shall be such that it will yield the largest possible educational return to students without sacrificing the safety of funds or exposing students to undue responsibility or unnecessary routine.

2. Procedures in Handling Funds

A. PREAUDIT OF RECEIPTS

Confusion and sometimes loss of funds can be traced more often to a lax checkup and recording of money taken in than to any other single cause. For this reason,every possible precaution should be taken to protect the individual concerned and the money collected. Consequently, the most important functions are the prompt checking, recording,and depositing of receipts. Not all of the possible protective measures can be described here, but a number of them are mentioned to show the type of procedure that should be incorporated in any accounting system.

Extraclassroom activities funds are derived from a number of sources such as admissions, membership dues, sales and campaigns, and donations. The procedures used in collecting and preauditing (checking) these several types of receipts will naturally vary. So far as possible, devices should be used which will make it possible to determine in advance the amounts which should be received.

To facilitate the preaudit and recording of receipts, statements should be made by those collecting money. Such a statement should, on the face of it, give all the essential data for a complete check and audit of the receipts. A determination should be made as to whether the activity falls within the provision of the New York State Sales Tax Law, and an estimate should be obtained as to the amount of sales tax that will be collected. While form 6 on page 48, illustrating a statement of admissions, will not meet all the conditions for all types of receipts, it will, however,

serve to illustrate the suggested type of statement. Such a statement should enable those collecting money to prepare a complete report and to verify the money turned over to the treasurer. In addition, it will afford protection for those handling funds, facilitate a check and serve as documentary evidence which can be used for accounting purposes. A preaudit of receipts should make only reasonable allowances for errors in making change.

1) Admissions

Various methods may be employed to insure accurate preaudit (check) of admissions. Usually prenumbered tickets should be used so that the auditor may by reference to the beginning and ending numbers determine the amount which should be collected. In some cases, as an added precaution, the ticket collector should be required to deposit the tickets in a locked receptacle so that they may be counted and later destroyed. In other cases where tickets are purchased in a variety of colors, a different color should be used for each occasion, thus making it difficult for anyone to use old tickets. Still another device used to avoid the reuse of tickets is to require the ticket collector to destroy each ticket by tearing it in two, giving one part to the customer and retaining one. Any of these devices or any combination, properly supervised, will insure reasonably honest and accurate results. None of them will guarantee accuracy, especially when adult supervision is lacking. In summary:

a. Use prenumbered tickets, and take steps to prevent fraudulent reuse.

b. Charge each ticket seller with a definite number of tickets and a definite amount of change.

c. Provide a sufficient number of ticket sellers to avoid undue haste.

d. Do not ask the ticket seller to watch the gate.

e. Provide a responsible adult ticket taker.

f. Require each ticket seller to return all unused tickets, the full amount of change, and the exact amount of receipts promptly.

g. Do not aid and abet temptation with careless supervision.

h. Carefully analyze procedures, particularly from the standpoint of accurate accounting.

i. Thoroughly explain each device used to safeguard money so that those who have anything to do with it are thoroughly familiar with each process and understand its purpose. Consider these devices not merely as means of preventing fraud, but as instruments which have been set up so that each agent may clearly demonstrate the accuracy of his work and the fulfillment of his responsibility.

2) Membership Dues

The preaudit of membership dues should be relatively easy if plans are carefully worked out in advance. A few simple rules are here suggested:

a. Provide prenumbered receipts or membership cards.

b. Charge each solicitor with a definite number of receipts or membership cards. (Make a record of the numbers issued to each solicitor.)

c. Require each solicitor to return all unused receipts or cards and the exact amount of money due for each membership sold.

d. Designate some one adult to supervise the membership campaign and to insist upon a complete and accurate report at the close of the campaign.

e. Do not permit solicitors to issue receipts or cards on credit. Require pupils wishing credit to make arrangements with the designated adult officer.

f. If memberships are given free or on credit to any pupils, have these issued by the designated adult officer after all the solicitors have turned in their reports, cash,and unsold cards.

3) Receipts from sales, campaigns, etc.

Pupils collecting moneys should, whenever possible, issue prenumbered receipts in duplicate, the original to be given to the purchaser and the carbon to the pupil treasurer of the activity after the audit has been completed. In those cases where receipts are not practical, for example, a candy sale, the activity treasurer with the assistance of the adviser should devise a method whereby the exact amount to be realized by the sale is determined in advance. Each salesman should be given a statement showing the amount he is to receive. After the sale,each salesman should then turn in that amount in cash and unsold goods.

4) Donations

Gifts or donations are usually made in lump sums and should be recorded in the minutes of the activity. The activity treasurer should issue a receipt and deposit the gift with the central treasurer.

B. DEPOSIT OF MONEY

After the money has been turned in to the activity treasurer and properly checked by him and the faculty adviser, the money should be turned over to the central treasurer, who should issue a prenumbered receipt.

C. PURCHASING

Money may be spent by student organizations to purchase materials and supplies, professional service, for transportation, for rent, for guarantees,and for services such as printing, advertising, postage, and telephone and telegraph.

It is recommended that a formal purchase order originating within an activity be issued for all purchases. The exact procedures for issuing purchase orders depend so much upon the type of administrative control to be established that detail cannot be given here. The provision for the signature of an adult in addition to that of the pupil activity officer is essential to any plan.

Correspondence concerning payments for professional service and guarantees should be submitted to the responsible adult officer in advance of any commitment so that information regarding the nature of the services and the cost thereof will be available when payments are to be made.

D. PAYMENTS

When bills are to be paid, the activity treasurer should make out a payment order. This should give the name of the payee, the amount, the activity to be charged, and, if in payment for a purchase, the purchase order number. The payment order should be made out in duplicate by the activity treasurer and after checking should be approved by the adviser. One copy of the order should be forwarded to the central treasurer together with invoices for the materials or services for which payments are made. After auditing the order and invoices and after determining that the activity has sufficient funds, the central treasurer should draw a prenumbered voucher check.

E. ADVANCES

To provide ways and means for financing certain types of activities which do not lend themselves to the usual procedures, it is suggested provision be made for "advances." For example, to provide the necessary cash for student organization activity trips, the activity treasurer of the group will draw a payment order in the same manner as when paying for a purchase except that in explaining the payment he will state that the check is to be drawn to himself, giving essential facts regarding the trip. This order should be accompanied by a detailed statement of estimated expenditures and the like. Such a payment order should be preaudited and approved the same as any other payment order. After audit and approval, the central treasurer will draw the necessary voucher check. The activity treasurer will thus secure the requested cash.

After the trip, the activity treasurer shall file with the central treasurer a detailed statement of actual expenditures and turn over any balance not accounted for. The statement should, of course, be audited and approved by the faculty adviser.

The use of the "advance" procedure should be very carefully limited and closely supervised. The device should be used only in case of real need, and not merely for convenience.

In order to avoid confusion in the case of advances for making change for admission tickets sold and to avoid inflation of accounts, a "service account" may be set up. This account is charged with the advance and credited with the return of the money. Then the exact amount of net receipts can be credited to the activity.

F. TRANSFER OF FUNDS FROM ONE ACTIVITY TO ANOTHER

It may be necessary or desirable occasionally to transfer funds from one activity to another. This may be done by the use of a payment order. The treasurer of the activity making the donation will upon proper authorization draw a payment order stating all essential facts. The central treasurer will then effect the necessary transfer in his accounts, and no money will actually change hands.

G. BONDING OF THE CENTRAL TREASURER

It is considered good business practices for the board of education to require the central treasurer of the extraclassroom activity fund to be bonded for no less than the amount of the

average cash balance of the fund. In this way, the money belonging to the various student organizations would be protected.

H. INVESTING EXTRACLASSROOM ACTIVITY ACCOUNT MONEYS

A study may be made of the Extraclassroom Activity Fund to determine if it would be advisable to invest a portion of the fund in a time deposit account, a certificate of deposit, a savings account, or other investment approved by the board of education. The investment of this money must be authorized by the board of education and would make necessary the enactment of a policy regarding the disposition of the interest earned by such an investment.

I. CLOSING OUT OF INACTIVE ACCOUNTS

A policy should be enacted by the board of education relating to the closing out of inactive extraclassroom activity accounts. The accounts are usually inactive due to lack of student interest or because a graduating class leaves an unused balance. Many boards of education have chosen to mandate the closing out of these accounts after a specified period of time and the transfer of the unused balance to the general student organization.

J. PETTY CASH FUNDS

1) A board of education may establish a petty cash fund for the Extraclassroom Activity Fund by authorizing the central treasurer to draw a check in an amount not to exceed $50 payable to the chief faculty counselor who shall administer and be responsible for such petty cash fund.

2) Payments from petty cash funds may be made for materials, supplies, or services only under conditions calling for immediate payment upon delivery.

3) From time to time, checks may be drawn to the chief faculty counselor in an amount which shall not exceed payments made in cash as indicated by receipts, receipted bills, or other evidence of payment in form available to audit.

4) Expenditures from the Extraclassroom Activity Petty Cash Fund shall be charged to the benefiting activity funds by the central treasurer as indicated by the records of the chief faculty counselor.

5) The chief faculty counselor shall keep such records as may be necessary for the accurate accounting of all transactions.

6) The Extraclassroom Activity Petty Cash Fund must be completely closed out at the end of each year and the Extraclassroom Activity Fund shall be reimbursed by the original amount transferred to the petty cash fund.

7) The central treasurer will report the amount of the petty cash fund which is on loan to the chief faculty counselor on the monthly reconciliation of bank statement and the periodic central treasurer's report for the Extraclassroom Activity Fund.

K. OPERATION OF SCHOOL STORE

1) In its Distributive Education Laboratory Manual (1963), the Bureau of Business and Distributive Education, State Education Department, recommends that the school store be operated as a distributive education club or class project under the sponsorship and guidance of the teacher-coordinator, and from an accounting standpoint be treated as an extracurricular

activity of the school. Under these circumstances, the approved accounting system would be the system in this pamphlet.

2) The Bureau of Business and Distributive Education does not generally recommend that the school store activity be established as a separate account in the internal accounts of the school system.

3) In addition to the approved accounting procedures to control receipts and expenditures, it is desirable for the teacher-coordinator and the school business manager to agree on acceptable operating and year-end financial statements that will reflect the financial soundness of the store activity. Periodic profit and loss statements and balance sheets not only constitute good accounting procedures but also afford excellent instructional opportunities for distributive education classes. A sample schedule of school store ledger accounts is included in Appendix N of the cited Distributive Education Laboratory Manual. It is recommended that a Sales Tax (Accounts Payable) be added to the ledger of accounts. As a general practice, the teacher-coordinator should adhere to control policies and procedures which have been established by the school business manager for extracurricular activities.

4) The appendixes in the Distributive Education Laboratory Manual list key duties for personnel assigned to the laboratory store,

duty checklists for students assigned to the laboratory store, various control forms, daily balance forms, cash record sheets, register forms, etc.

L. SALES TAX

A school district is not exempt from the provisions of the Sales Tax Law whenever it becomes the vendor of services or property ordinarily sold by private persons. Each faculty adviser should know which of the activities his organization undertakes are subject to sales tax and take steps to see that all sales tax information is accurately recorded and sent to the central treasurer. In order to provide a ready reference, a list of common undertakings of extraclassroom fund raising and social activities has been prepared indicating their taxable status. This list is not an exhaustive tabulation but is merely presented as a guide for ready reference.

When a student organization purchases merchandise for resale, vendors are required to collect the sales tax unless they receive a resale certificate from the buyer. It is recommended, therefore, that the central treasurer of the Extraclassroom Activity Fund, or some other responsible individual who is required to approve purchase orders, secure and control a supply of these certificates. Upon his approval of a purchase, he should supply the vendor with a certificate.

At the express request of the Sales Tax Bureau emphasis is made of the need for each school district to secure a certificate of authority, ST-105. Only one certificate is necessary for each district.

EXTRACLASSROOM ACTIVITY FUNDS

(Illustrations of Items Subject to Sales Tax)

Organization	Activity	Taxable Status
Art Club	Sale of Art Supplies	Taxable
	Sale of Student-Made Jewelry	Taxable
Band	Concerts	Exempt-Performing Arts
Book Store	All Sales Unless Specifically exempt by Law	Taxable
Dramatics Club	Drama Festival	Exempt-Performing Arts
Future Teachers	Sale of Magazine Subscriptions	Exempt-Periodicals
Junior Class	Prom	Taxable
School Paper	Sale of Advertising Space Sale of Paper to Students	Exempt-Advertising Exempt-Periodicals
Student Council	Bake Sales Sale of Soda, Candy, etc.	Exempt-Food Taxable
Varsity Club	Dance	Taxable
Yearbook	Sale of Yearbook	Taxable*
Yorker Club	Sale of Candy	Taxable

*If the entire cost of the yearbook is underwritten by the board of education and the revenue is returned to the General Fund, this sale would then be tax exempt.

CHAPTER III

A SUGGESTED PLAN FOR THE SAFEGUARDING, ACCOUNTING, AND AUDITING OF EXTRACLASSROOM ACTIVITY FUNDS, UTILIZING A CENTRAL TREASURER-BOOKKEEPER (ADULT) AND AN INDEPENDENT AUDITOR (ADULT)

1. General

This chapter describes an accounting system and accounting procedures in which only one set of records is kept by an adult designated by the board of education. Essential safeguards are established because pupils also keep records of receipts and expenditures and both the central records and the pupils' records are under the direct supervision of an auditor designated by the board of education.

2. Appointment of Officers

It is suggested that the board of education appoint, on the recommendation of its chief executive officer, members of the regular faculty and clerical staff to fill the following positions:

A. Central Treasurer

B. Faculty Auditor

C. Chief faculty counselor(s) (usually building principal(s))

The chief faculty counselor(s) shall appoint faculty advisers for each extraclassroom activity.

Each extraclassroom activity shall elect an activity treasurer (student).

3. Function and Duties of Officers

A. CENTRAL TREASURER (appointed by the board of education).

It shall be the duty of the central treasurer to have custody of all funds. All disbursements of funds shall be by means of prenumbered check forms signed by the central treasurer upon receipt of a disbursement order signed by the activity treasurer

and faculty adviser. The central treasurer shall have no part in the approval of payments but shall disburse funds only on the presentation of a properly signed pay order in duplicate providing, of course, that there are sufficient funds available in the account. The completed check will be returned to the student treasurer who will send it to the vendor after posting.

The central treasurer shall sign a receipt for all funds placed in his custody, and he shall deposit these funds promptly in a bank designated by the board of education.

The central treasurer shall keep an account listing the receipts and expenditures of each individual activity and post a register of all the receipts and disbursements of the combined pupil organization on ledger forms prescribed by the board of education.

Once each month, the central treasurer shall receive and verify his bank statements and prepare reports for presentation to the faculty auditor and the board of education. These reports to the board should show beginning balances, receipts for the month, disbursements for the month, and the ending balances, for each organization, as well as a copy of the bank reconciliation.

B. FACULTY AUDITOR (appointed by the board of education).

The function of the auditor shall be distinct and separate from the duties of the other officers. The person appointed as auditor shall have no part in the approval of payments, the planning of income, or in the keeping of records and forms. This policy prohibits the appointment of a building principal or the chief school officer as auditor inasmuch as the building principal should

serve as chief faculty counselor, and the chief school officer would have general supervision of the entire system and would be responsible for the decisions of the chief faculty counselor and the faculty advisers.

In order to establish the responsibility of the auditor and to make available to this office adequate evidence of all financial transactions, the auditor shall receive once each month from the central treasurer on a regular date designated by the chief school officer, a complete statement of the accounts showing the balance for each activity and the total balance for all accounts. In addition, the auditor will call in the ledgers kept by the activity treasurers, at least twice a year and on a rotating basis, in order to compare the balance as shown on the central treasurer's report with the balance recorded in the ledger of the activity treasurer. He should also examine various transactions and paperwork to determine if correct procedures are being used. He shall certify on these pages as to the accuracy of the entries posted and the available balances listed.

It shall be the duty of the auditor to verify the accuracy of the reports prepared by the central treasurer and so certify to the chief school officer for transmittal to the board of education. In the event that the ledgers of the activity treasurer do not agree with the ledger kept by the central treasurer, the auditor shall base his investigation on the supporting evidence kept by the activity treasurer and the central treasurer in the form of audited receipt statements, signed deposit slips, original audited bills, signed pay orders, canceled checks, and bank statements.

The entries in the central treasurer's books and activity treasurer's ledgers are in the final analysis based on forms, bearing not only the signature of the activity treasurer but also the counter signature of the faculty adviser.

At the end of the school year, it shall be the duty of the auditor to assemble the monthly reports and prepare a composite report listing the financial condition of each activity for the full school year for the guidance of the chief school officer and the board of education.

C. CHIEF FACULTY COUNSELOR (appointed for each building by the board of education-usually the building principal).

It shall be the duty of this officer to coordinate the financial planning of all projects of the various pupil organizations in his building; to consult with the faculty advisers; to appoint a faculty adviser for each activity in his building on a year-to-year basis; and to submit to the board of education for approval all new activity organizations initiated by the students. He shall investigate all problems and disputes concerning the student organizations under his jurisdiction and shall effect action that will enable these problems and disputes to be resolved.

D. FACULTY ADVISER (appointed by the chief faculty counselor).

It shall be the duty of these officers to guide and advise the pupil officers in planning extraclassroom activities and the planning of financial budgets. The advisers shall assist the activity treasurer in the preparation of statements of income. He shall audit these statements and sign them as acknowledgment of verification of the income statement to be attached to deposit

slips. The adviser shall guide the student treasurer in posting his account ledger and from time to time shall check the balancing of the activity treasurer's accounts and the completeness of their supporting evidence. The faculty adviser shall supervise expenditures by insuring that funds are available before approving each proposed purchase and by signing all pay orders drawn on the central treasurer for disbursement of funds. The faculty adviser is responsible for determining which of the activities of his organization are subject to sales tax and for taking steps to see that all tax information is accurately recorded and sent to the central treasurer. The faculty adviser shall constantly work toward the goal of insuring the largest educational return from the activities participated in by the pupils.

E. ACTIVITY TREASURER (elected by the pupils of each organization).

The activity treasurer shall receive all moneys raised by his activity and shall immediately deposit such funds with the central treasurer. Duplicate deposit slips shall be made out and signed by both the adviser and activity treasurer. One of these is to be retained by the central treasurer, and one, after being signed by the central treasurer, is to be returned to the activity treasurer together with a central treasurer's receipt.

The activity treasurer shall pay all bills by issuing pay orders signed by himself and the faculty adviser. This form is to be made in duplicate and is an order on the central treasurer to issue a check for payment of the invoice which shall be attached to the pay order. The central treasurer will keep one copy of the pay order and return the other copy together with the

completed check. The activity treasurer will then send the check to the vendor involved after posting.

The activity treasurer shall keep a ledger showing all receipts and expenditures and indicating a daily running balance which shall be on a form prescribed by the board of education. He shall file all supporting data, chronologically, as evidence for the entries made in the ledger.

F. INDEPENDENT AUDITOR

The independent auditor appointed by the board of education to make an annual audit of all school district finances should be required to include the extraclassroom activity fund as a part of his annual audit. This audit should include a statement of receipts, disbursements, and balances for each activity together with a reconciliation of cash.

4. Deposit Procedures for Activity Treasurers

Each activity treasurer shall issue a receipt for all moneys received by him to be deposited in the activity account. These receipts shall be prenumbered and must be used in consecutive order. If a mistake is made, the receipt should be voided but not destroyed.

When an organization has a dance or activity involving admissions, a statement of admissions must be prepared.

Upon receiving money, the activity treasurer will take the following steps:

A. Count the money received and reconcile with the statement of admissions or activity treasurer receipts which are involved in the transaction. The faculty adviser should sign the statement of admissions under the signature of the activity

treasurer, check any activity treasurer receipts involved, place the receipts in a bank deposit bag, and place the bag in the school vault until the next school day. No activity money should be taken home by anyone.

B. Prepare the deposit slip, obtain the signature of the faculty adviser on the deposit slip following his review,and deposit the funds with the central treasurer.

C. Return all funds used for making change.

D. Receive the duplicate deposit slip signed by the central treasurer together with a receipt for the money deposited.

E. Enter the amount of the deposit in the activity fund register indicating the source from which the funds were received.

F. File chronologically the supporting data consisting of the duplicate deposit slip, central treasurer's receipt,and, if applicable, the statement of admissions. These forms provide the evidence for the entries made in the activity treasurer's books.

5. Withdrawal Procedure for Activity Treasurers

When merchandise is to be purchased, a purchase order approved by the activity treasurer and the faculty adviser must be prepared in duplicate. The adviser is responsible for being sure the purchase is proper in all respects. The original is given (or mailed) to the vendor as authorization to buy. When the goods are received and the bill arrives, the activity treasurer, under the faculty adviser's supervision, checks the goods, bill,and a copy of the purchase order to see that there are no discrepancies.

When payments are to be made for services rendered, a purchase order may be used. The activity treasurer and the faculty adviser should be certain, however, that the bill accurately reflects the services rendered.

When it is determined that the bill is correct, the following steps are taken:

A. A payment order is prepared in duplicate and signed by both the activity treasurer and faculty adviser.

B. The final audited bill is attached to the original pay order form and both plus the copy of the pay order are given to the central treasurer.

C. The central treasurer records the consecutive pay order number on the forms and prepares the check.

D. The central treasurer makes the entries in his books and files both the original pay order and the bill as evidence for the entries.

E. The check and the copy of the pay order are given (sent) to the activity treasurer.

F. The activity treasurer makes the necessary entry in his books indicating to whom the check is made out and the reason. He then sends the check to the vendor. The pay order is filed to give supporting evidence for the entry.

6. Suggested Procedure for Inactive Activity Accounts

Prior to the termination of a student organization, all funds remaining in the treasury must be disposed of in one of the following ways:

A. Expended by vote of the organization controlling these funds as provided for in the bylaws.

B. Transferred to another student organization following the standard withdrawal procedure.

C. Transferred to the school district for a specific and designated purpose. When the student organization votes to dispose of funds in this manner, the following procedure will be applied:

1) The funds shall be turned over to the clerk of the board of education along with a signed statement from the organization authorizing the school district to use the funds in a specific manner as agreed upon by the student organization.

2) The funds shall be held in a trust agency fund until the proper expenditures have been made. Any balance remaining after these expenditures will be transferred to the general fund for use by the school district.

D. Transferred by motion of the board of education to the general student organization if none of the preceding ways has been implemented.

ACCOUNTING RECORDS AND THEIR USE

The central treasurer should keep the following records:

Register of Receipts
(Control)

On this form he will record chronologically all receipts from whatever activity or source. This record should include the date, from whom the money was received, receipt number, amount, and activity to be credited.

Register of Disbursements
(Control)

On this form he will record chronologically all payments for whatever activity or purpose. This record should include the date, person receiving payment, check number, amount, and activity to be charged.

Form 1 NAME OF SCHOOL
ADDRESS

REGISTER OF RECEIPTS

YEAR FUND PAGE

	Date	Received from	Rct No.	*	Amount	Date	Received from	Rct No.	*	Amount

7 1/2" x 10 3/8"

* ACTIVITY

Form 2 NAME OF SCHOOL
ADDRESS

REGISTER OF DISBURSEMENTS

YEAR FUND PAGE

	Date	Name of Payee	Vou No.	*	Amount	Date	Name of Payee	Vou No.	*	Amount

7 1/2" x 10 3/8"

* ACTIVITY

Receipt and Expenditure Ledger[1]

There shall be a separate account for each activity. Postings shall include: date, person to whom payment is made, or from whom money is received, and receipt or voucher number. One column is used for recording receipts, one for payments,and one for balances. In schools preferring to use a budgetary procedure,this form may be changed by omitting the column headed "Rct No." and changing the heading "Amount Received" to "Amount Allotted."

---

[1]The central treasurer will keep such an account for each activity. The activity treasurer will keep such an account for his activity.

Form 3 NAME OF SCHOOL
ADDRESS

RECEIPT AND EXPENDITURE LEDGER

	Date	Explanation	Rct No.	Vou No.	Amount Received	Amount Paid	Balance	

7 1/2" x 10 3/8"

38

Activity Treasurer's Ledger

The various extraclassroom activity organizations should prepare budget estimates of their needed income and expenses under the guidance and with the assistance of their faculty advisers. The final drafts of these budgets shall be prepared in quadruplicate and copies filed with the chief faculty counselor, the central treasurer, the faculty adviser, and the activity treasurer.

Ledger form 4 has been designed to provide flexibility in the accounting system and to meet the needs of both the average and the more complex activity. An average activity will need but one sheet for its receipt and expenditure ledger. A more complex activity should use one sheet for its principal ledger and as many sheets as necessary for subsidiary accounts.

As an example of a complex account, the yearbook activity account may use three sheets for subsidiary revenue accounts (Advertising, Sales, and Other) and four sheets for subsidiary expense accounts (Printing and Layout, Photography, Artwork, Binding). At a given point in time, the total of the subsidiary accounts will equal the balance on the principal ledger.

By contrast, a chess club activity may not need subsidiary accounts.

At regular intervals fixed by the chief faculty counselor, the activity treasurers shall balance their ledgers and present them for the examination of the faculty auditor. Space is provided for the signature of the auditor indicating approval of the balance after verifying the records.

The faculty adviser shall supervise the posting of the activity treasurer's ledger when approving payment orders on the central treasurer. At the end of the school year, the activity treasurer's ledgers shall be turned over to the faculty adviser, after the completion of the final audit and be placed on file for the inspection and guidance of succeeding officers.

Form 4

RECEIPT AND EXPENDITURE LEDGER

_____ School

YEAR ACTIVITY PAGE

Date	Explanation	Rec't. No.	Vou. No.	Amount Received	Amount Paid	Balance

ACCOUNTING DOCUMENTS

Deposit Receipt

The deposit receipt form shall be prepared in duplicate by the activity treasurer. A copy of the detailed statement of the source of the receipts being deposited, signed by the faculty adviser, shall accompany the deposit receipt and be filed with the central treasurer. The central treasurer shall acknowledge the receipt of these funds by signing and dating the receipt and entering the consecutive register number on the receipt. The original copy shall be filed with the central treasurer along with the detailed statement or report of the income. The carbon copy shall be retained by the activity treasurer.

Form 5 Deposit Receipt No._____

Central School District No. 1

School _____ Date _____

Activity _____

Source of Funds _____

Bills _____		
Silver _____		
Checks _____		
_____		
_____		
_____		
Total Amount of deposit _____		

Activity Deposit _____

New York State Sales Tax _____

Checked by _____ | _____

Activity Treasurer — Initial When Posted

_____ _____

Faculty Adviser — Central Treasurer

CENTRAL TREASURER'S COPY

Form 6

STATEMENT OF ADMISSIONS

Student Tickets	Adult Tickets
Ending No. _____	Ending No. _____
Beginning No. _____	Beginning No. _____
Number sold _____	Number sold _____
x $.	x $.
Total receipts _____ (1)	Total receipts _____ (2)
Less Sales Tax _____	Less Sales Tax _____
Net receipts _____	Net receipts _____

Total receipts for Student Tickets _____ (1)

Total receipts for Adult Tickets _____ (2)

Total amount for tickets sold _____

Cash on hand (by actual count) _____

Change _____

Total cash collected _____

Cash over (short) _____

Amount to be deposited to Activity Fund _____

Amount to be deposited for N. Y. S. Sales Tax _____

Event: _____

Date: _____

Student Treasurer: _____

Approved by: _____

Central Treasurer's Receipt

Form 7

NAME OF SCHOOL

CENTRAL TREASURER'S RECEIPT NO. 000

DATE _____

RECEIVED FROM _____ $_____

_____ DOLLARS

FOR _____ ACTIVITY

1 Copy to activity treasurer
1 Copy to central treasurer

_____
CENTRAL TREASURER

This form shall be prenumbered, made up in duplicate and shall contain the information indicated. The disposition of the three copies is indicated on the form itself. Every cent taken in by the central treasurer shall be accounted for in this manner. This document in addition to serving as a receipt will furnish the auditor information he needs for checking receipts.

Activity Treasurer's Receipt

Form 8

NAME OF SCHOOL

ACTIVITY TREASURER'S RECEIPT NO. 000

DATE _____

RECEIVED FROM _____ $_____

_____ DOLLARS

FOR _____

ACTIVITY _____

1 Original to purchaser or depositor
1 Copy to activity treasurer

_____
ACTIVITY TREASURER

This prenumbered form is used by the treasurers of the activities for acknowledging receipt of money. If possible these forms shall be stamped with the name of the activity before the blanks are issued to the activity treasurer. This form or some other documentary evidence such as the statement of admissions shall together account for all the money taken in by the activity.

Purchase Order

Form 9

UNION FREE SCHOOL NO.

PURCHASE ORDER

NO._____
Your invoice must show this order number

TO_ _

_ _

DATE ISSUED _____
DATE WANTED _____
SEND TO _____
AT _____

PLEASE ENTER OUR ORDER FOR THE FOLLOWING GOODS TO BE DELIVERED TO _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _

_ VIA

__ EXEMPT FROM SALES TAX
__ NOT EXEMPT FROM SALES TAX
(Check one of above)

CHARGE TO _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _
ACTIVITY

Quantity and Unit	Description	Unit Price	Total Amount	Checked by

FUNDS ARE AVAILABLE. PURCHASE AUTHORIZED BY

_____
ACTIVITY TREASURER

_____
FACULTY ADVISER

Purchases by activities should be made by means of a formal purchase order approved by the faculty adviser who is responsible for determining that funds are available before approving purchase order. Like the voucher check, this document involves negotiation with institutions outside of the school and consequently shall bear the signature of a responsible adult. This form shall be made out in duplicate, the original to the vendor and the copy to the activity treasurer.

Payment Order

The payment order to the central treasurer shall be prepared by the activity treasurer in duplicate whenever a payment or withdrawal is to be made. The activity treasurer shall secure the signature of the faculty adviser as recording approval of the contemplated expenditure.

The faculty adviser shall certify the amount of the balance available. This information shall be recorded on the payment order for the guidance of the central auditor when the transactions are being audited and for the purpose of confirming the proper posting of the activity treasurer's records. If the balance recorded does not agree with the balance shown on the central treasurer's ledger, the issuance of the check may be held up until the faculty adviser can determine the cause of the discrepancy.

The activity treasurer, after securing the approval of his faculty adviser, shall present the form.

All payment orders shall be accompanied by a final audited bill, which shall be filed with the central treasurer. The central treasurer shall acknowledge receipt of the payment order by entering his consecutive register number on the order and also by recording the number of the check issued in compliance with the properly drawn payment order. The carbon copy shall be retained by the activity treasurer.

Form 10

Verification of Available Balance by Faculty Adviser

Unencumbered Balance _____

Amount of this Payment Order _____

New Available Balance _____

Payment Order to the Central Treasurer
EXTRACLASSROOM ACTIVITY FUNDS

_____, 19__

You are authorized to issue a check

PAY TO THE ORDER OF _____

IN THE AMOUNT OF _____ DOLLARS $_____

FOR _____ AS PER ATTACHED INVOICE

AND CHARGE SAME TO _____ ACCOUNT
Name of Activity

Order No._____

Check No._____

_____
Initial When Posted

_____
Date of Approval

_____
Student Treasurer

_____
Faculty Adviser

Voucher Check

Form 11

NAME OF SCHOOL

NO. 000

STUDENT ACTIVITIES ACCOUNT

DATE _____

PAY TO THE ORDER OF: _____ $_____

_____ DOLLARS

TO: FIRST NATIONAL BANK
Pay and charge to the above named account

_____
CENTRAL TREASURER

Detach Before Presenting For Payment — Duplicate Voucher

Date	Order	Items in Account	Amount	Activity

This document should be prenumbered and issued in duplicate. (Signatures need appear only on the original.) The original is the check, and the copy is kept by the central treasurer. The voucher part of the document should be in sufficient detail to clearly identify and describe the payment. It is to be used for posting purposes.

Interorganization Transfers

On occasion, one organization will want to transfer funds to another organization for services rendered or the general student organization may make appropriation to various activity organizations of the school. It is recommended that transfers of this kind follow the customary procedure for making withdrawals through preparation of a payment order.

After making the necessary entries in his books, the central treasurer instead of writing a check would use the interorganization transfer form shown below. The original would be given to the activity treasurer whose organization will receive the funds and the duplicate copy would be sent to the organization paying the funds.

When the activity treasurer receives the form, he should make the necessary entries in the books and file the transfer form as evidence to support the form.

Form 12

Central School District No.
Extraclassroom Activities Account
Interorganization Transfer

_____, 19___

Initiating Organization _____

Pay to _____ $_____

_____ Dollars

For _____

_____
Central Treasurer

Form 13

Report on Extraclassroom Activity Account

RECONCILIATION WITH BANK STATEMENT

Balance as given on bank statement end of month $_____

Less total outstanding checks $_____

Net Balance in bank $_____

Amount of receipts undeposited (add) $_____

Petty Cash Fund #1 (add) $_____

Petty Cash Fund #2, etc. (add) $_____

Total Balance as of date of report $_____

_____, 19__

_____
Central Treasurer

_____

This account was audited for the period _____,19__,to_____, 19___,andfound to be correct.

_____
Faculty Auditor
Extraclassroom Activity Fund

Form 14

Extraclassroom Activity Fund

CENTRAL TREASURER'S REPORT

Title of Account	Bal. on Hand Beg. of Year	Bal. on Hand Beg. of Month	Receipts for Month	Total for Month	Total Expend. of Month	Balance on Hand
Class of 1968						
Class of 1969						
Class of 1970						
Audio Visual Club						
Booster Club						
Camera Club						
Deca Club						
French Club						
Fut.Nurses of Am.						
Latin Club						
Nat. Honor Society						
Radio Club						
Science Club						
Sr.High Stu.Cncl.						
Varsity Club						
Yorker Club						
Petty Cash Fund #1						
Petty Cash Fund #2						
TOTAL						

Date

To

Signature